

# **INNOVATION & OPPORTUNITY CONFERENCE**

**ADVANCING AEROSPACE AND DEFENSE**  
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# Proposal Budget

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# Contracting Officer's Responsibility

- FAR 1.602-2 Responsibilities.
- Contracting officers are responsible for ensuring performance of all necessary actions for effective contracting, ensuring compliance with the terms of the contract, and safeguarding the interests of the United States in its contractual relationships.



# Budget Form Overview

- Key items include:
  - Direct Labor
    - Description
    - Hours
    - Rates
    - Totals
    - Name of employees
  - Rates
    - Fringe Benefits
    - Overhead
    - G&A
  - Other Direct Costs (ODC's)
    - Materials
    - Supplies
    - Equipment
    - Other
    - Travel
    - Subcontractors/Consultants
  - Profit
  - Government Facilities or Equipment
  - Audit Information



# Direct Labor and Indirect Rates



- **Level of Effort Per Person**

- The maximum number of proposed hours for each person for SBIR Phase I is 1040 or (2,240 hours if STTR) annually. This applies for the same person with an SBC across multiple proposals.
- If the SBC proposes two SBIR Phase I's with same PI, the maximum number of proposed hours for that PI for both efforts would be 1040. For example:
  - SBIR A: 520 hours and SBIR B: 520 hours, or
  - SBIR A: 400 hours and SBIR B: 640 hours, etc.

- **Key Personnel**

- The key personnel listed in the proposal should be listed under direct labor unless the time is being donated.

- **Questionable Items (examples)**

- Personnel proposed under Direct Labor should be employees of the SBC
- Administrative Personnel under Direct Labor –why not under G&A?
- PI proposed hours are substantially less than other personnel – CO will ask for clarification / justification

- **Indirect Rates**

- DCMA/Cognizant Agency audit and negotiated rate agreement.
- If SBC has no negotiated rate agreement, the CO will request actual computations/basis used to compute the rates provided by the firm.
- Typical indirect rate expenses are Fringe, Overhead (OH) and General and Administrative (G&A)
- Potential helpful tool provided by the Defense Contract Audit Agency (DCAA)
  - [https://www.dcaa.mil/Home/ICEmodel?title=ICE%20\(Incurred%20Cost%20Electronically\)%20Model](https://www.dcaa.mil/Home/ICEmodel?title=ICE%20(Incurred%20Cost%20Electronically)%20Model)

# Other Direct Costs (ODC's)



## Equipment and Materials/Supplies

- The purchase of equipment, instrumentation, or facilities under SBIR/STTR must be justified by the offeror and approved by the government during contract negotiations.
- Any purchase of equipment or products under an SBIR/STTR contract using NASA funds should be American-made to the extent possible.
- Material and supply costs should be detailed by individual items including the price, quantity and reason it is required. All copies of quotes provided should be current.
- Firms should be prepared to justify all material/supply costs during negotiations when applicable.

# Other Direct Costs (ODC's)

## SUBCONTRACTS AND CONSULTANTS

Work must be performed in the United States with rare exceptions.

**Required:** Statement of Work and detailed budget including rate agreements.

**SBIRs Phase I Threshold 33%:** The proposed subcontracted business arrangements including consultants, must not exceed 33 percent of the research and/or analytical work. This is determined by the total cost of the proposed subcontracting effort (to include the appropriate OH and G&A) in comparison to the total effort (total contract price including cost sharing, if any, less profit if any).

**STTR Phase I Threshold 30%:** A minimum of 40 percent of the research or analytical work must be performed by the proposing SBC and minimum of 30 percent must be performed by the RI. Any subcontracted business effort other than that performed by the RI, shall not exceed 30 percent of the research and /or analytical work. This is determined by the total cost of the proposed subcontracting effort (to include the appropriate OH and G&A) in comparison to the total effort (total contract price including cost sharing, if any, less profit if any).



# Other Direct Costs (ODC's)



## Sample of Subcontracts/Consultants percentage of work performed:

Example: Total price to include profit - \$99,500

Profit - \$3,000

Total price less profit -  $\$99,500 - \$3,000 = \$96,500$

Subcontractor cost - \$29,500

G&A - 5%

G&A on subcontractor cost -  $\$29,500 \times 5\% = \$1,475$

Subcontractor cost plus G&A -  $\$29,500 + \$1,475 = \$30,975$

Percentage of subcontracting effort – **subcontractor cost plus G&A / total price less profit** -  $\$30,975 / \$96,500 = 32.1\%$

For an SBIR Phase I this is acceptable since it is below the limitation of 33%.

For an STTR Phase I, where there is a subcontract with a company other than the RI, this is unacceptable since it is above 30% limitation.



# Panel Discussion/Questions

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